

BENTLEY COMMUNITY SCHOOLS
BURTON, MICHIGAN
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2004

TABLE OF CONTENTS

	<u>PAGE</u>
Report of Independent Accountants	I
Management’s Discussion and Analysis	II - VIII
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Fiduciary Fund	
Statement of Fiduciary Net Assets	5
Statement of Changes in Fiduciary Net Assets	6
Statement of Cash Flows – Nonexpendable Trust Fund	7
Notes to the Financial Statements	8 – 18
Required Supplementary Information	
Budgetary Comparison Schedules:	
General Fund	19
Other Supplemental Information	
Combining Statements – Nonmajor Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	20
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	21
Combining Balance Sheet – School Service Fund	22
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – School Service Fund	23
Combining Balance Sheet - Trust and Agency Funds	24
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Trust and Agency Funds	25

TABLE OF CONTENTS

	<u>PAGE</u>
Individual Schedules of Revenues, Expenditures and Other Financing Uses:	
Schedule 1 - General Fund - Schedule of Revenues	26
Schedule 2 - General Fund - Schedule of Expenditures	27 – 30
Other Supplemental Schedules:	
Schedule 3 - Trust and Agency Fund – Schedule of Receipts and Disbursements – Student Activities	31 – 32
Schedule 4 - Schedule of Bond Principal and Interest Requirements	33



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

October 19, 2004

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Bentley Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bentley Community Schools, as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bentley Community Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bentley Community Schools as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated October 19, 2004 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the School District has implemented a new financial reporting model, as required by the provisions of the *GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003.

The management's discussion and analysis and budgetary comparison information on pages II - VIII and 19 are not required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bentley Community Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf P.C.
LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

BENTLEY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Bentley Community Schools, a K-12 school District located in Genesee County, Michigan, is in its first year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Bentley Community Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2004.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

BENTLEY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

District Wide Financial Statements: (Continued)

These two statements report the Bentley Community Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreased in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds and its private purpose trust funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal year ended June 30, 2004:

NET ASSETS SUMMARY

	<u>2004</u>
<u>ASSETS</u>	
Current Assets	\$2,658,101
Non-Current Assets	<u>1,535,994</u>
<u>TOTAL ASSETS</u>	<u><u>\$4,194,095</u></u>
<u>LIABILITIES</u>	
Current Liabilities	\$1,987,905
Long-Term Liabilities	<u>170,463</u>
Total Liabilities	\$2,158,368
<u>NET ASSETS</u>	
Invested in Capital Assets - Net of Related Debt	1,402,815
Restricted - Capital Projects	188,779
Unrestricted	<u>444,133</u>
Total Net Assets	<u><u>\$2,035,727</u></u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u><u>\$4,194,095</u></u>

BENTLEY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

RESULTS OF OPERATIONS:

For the fiscal year ended June 30, 2004, the District wide results of operations were:

	<u>2004</u>
<u>REVENUES</u>	
<u>General Revenues:</u>	
Property Taxes Levied for General Operations	\$876,265
Property Taxes Levied for Sinking Fund Capital Projects	262,416
State of Michigan Unrestricted Foundation Aid	6,237,994
Other General Revenues	<u>72,516</u>
Total General Revenues	\$7,449,191
<u>Operating Grants:</u>	
Federal	539,238
State of Michigan	507,130
Other Operating Grants	<u>101,644</u>
Total Operating Grants	\$1,148,012
<u>Charges for Services:</u>	
Food Service	172,963
Athletics	45,773
Other Charges for Services	<u>133,668</u>
Total Charges for Services	<u>\$352,404</u>
Total Revenues	\$8,949,607
<u>EXPENSES</u>	
Instruction & Instructional Support	5,219,360
Support Services	3,061,832
Food Service	363,366
Athletics	254,254
Interest on Long-Term Debt	0
Depreciation	<u>79,647</u>
Total Expenses	<u>\$8,978,459</u>
<u>INCREASE IN NET ASSETS</u>	(\$28,852)
<u>BEGINNING NET ASSETS</u>	<u>2,064,579</u>
<u>ENDING NET ASSETS</u>	<u><u>\$2,035,727</u></u>

BENTLEY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2004, the District's Total Net Assets decreased by \$28,852 to a total of \$2,035,727. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$95,487 during the year due to purchases of new capital assets and principal payments on related debt exceeded depreciation. The districts Unrestricted Net Assets decreased by \$123,557 during the year and the restricted portion of the net assets decreased by \$782. The restricted Net Assets consist of the Investment in Capital Assets-net of related debt and the restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students. The significant changes in unrestricted net assets was the general fund expenditures exceeding revenues.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$189,191 during the year with the decrease coming primarily in cash. Revenues for the year decreased by \$473,405 primarily due to primarily due to a substantial decline in our student population. Expenditures and other financing uses decreased by \$514,064, primarily due to budget reductions due to a loss in student enrollment. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)
The State of Michigan aid, unrestricted, is determined with the following variables:
 - a. State of Michigan State Aid Act per student foundation allowance
 - b. Student Enrollment - Blended at 80 percent of current year's fall count and 20 percent of prior year's winter count
 - c. The District's non-homestead tax levy.
2. Per Student, Foundation Allowance:
Annually, the State of Michigan establishes the per student foundation allowance. The Bentley Community Schools foundation allowance was \$7,007 per student for the 2003-2004 school year, the same as the prior year. The foundation allowance was decreased by \$74 per student from \$7,007 to \$6,933 as the result of an executive order by the governor.
3. Student Enrollment:
The District's student enrollment for the blended count of 2003-2004 was 1,056 students. A decrease of 57 students from the prior year.

BENTLEY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 17.7917 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2003-2004 fiscal year was \$876,265.

Capital Projects Sinking Fund

The districts capital projects sinking fund balance increased by \$35,790. Sinking fund taxes levied are the primary source of revenue in the fund.

Property Taxes Levied For Capital Projects (Sinking Fund)

The Sinking Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District. The Capital Projects Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

For 2003-2004, the District's sinking fund millage levy was 2.0 mills that generated revenue of \$262,416.

Special Revenue Funds

The districts special revenue funds provide food service and athletic opportunities to students. During the year the fund balances increased by \$29,062.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$8,733,911	\$8,217,773	\$8,304,917	-5.91%	1.06
Expenditures	8,723,125	8,386,343	8,494,108	-3.86%	(1.29)
<u>TOTAL</u>	<u>\$10,786</u>	<u>(\$168,570)</u>	<u>(\$189,191)</u>		

BENTLEY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Bentley Community Schools amends its budget during the school year. The June, 2004 budget amendment was the final budget for the fiscal year.

Original vs. Final Budgets

Revenues

Our initial revenue projections, \$8,733,911, were greatly reduced throughout the year due to the loss of 62 students. Our final budget held revenues to \$8,217,773, a decrease of \$516,138.

Expenditures

Expenditures were also reduced to follow our decline in revenues, from the initial \$8,721,306 down to \$8,386,343 in our final budget.

Actual Results vs. Final Budgets

Revenues

Actual revenues, including all due from other accounts, came in at \$8,301,436 as opposed to the \$8,217,773 in our final budget.

Expenditures

Our actual expenses, including all dues and transfers to other accounts, came in at \$8,490,627 as opposed to the \$8,386,343 in our final budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-1-03	Increases 6-30-04	Principal Payments 6-30-04	Principal Balance 6-30-04
General Obligation Bonds	\$133,179	\$0	\$0	\$133,179
Notes Payable	52,405	0	52,405	0
Compensated Absences	27,749	9,535	0	37,284
<u>Total Long-Term Debt</u>	<u>\$213,333</u>	<u>\$9,535</u>	<u>\$52,405</u>	<u>\$170,463</u>

BENTLEY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

CAPITAL ASSET AND DEBT ADMINISTRATION: (Continued)

B. Capital Assets

The district's net investment in capital assets increased by \$52,617 during the fiscal year. This can be summarized as follows:

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
Capital Assets	\$6,043,387	\$176,689	\$0	\$6,220,076
Less: Accumulated Depreciation	(4,560,010)	(124,072)	0	(4,684,082)
<u>Net Investment Capital Outlay</u>	<u>\$1,483,377</u>	<u>\$52,617</u>	<u>\$0</u>	<u>\$1,535,994</u>

Significant additions to fixed assets were the purchase of lockers, telephone system and repaving the parking lot.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Bentley Community Schools.

BENTLEY COMMUNITY SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$1,287,622
Due from Other Governmental Units	1,365,305
Due from Internal Funds	2,000
Inventory	3,174
Total Current Assets	<u>\$2,658,101</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets	6,220,076
Less: Accumulated Depreciation	<u>(4,684,082)</u>
Total Noncurrent Assets	<u>\$1,535,994</u>
<u>TOTAL ASSETS</u>	\$4,194,095
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	160,909
State Aid Anticipation Note Payable	1,400,000
Due to Internal Funds	7,982
Accrued Expenses	19,721
Salaries Payable	399,293
Current Portion of Long-Term Obligations	0
Total Current Liabilities	<u>\$1,987,905</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>170,463</u>
<u>TOTAL LIABILITIES</u>	\$2,158,368
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	1,402,815
Restricted for:	
Capital Projects	188,779
Unrestricted	444,133
<u>TOTAL NET ASSETS</u>	<u><u>\$2,035,727</u></u>

See accompanying notes to the basic financial statements.

BENTLEY COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
JUNE 30, 2004

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$5,219,360	\$0	\$862,413	(\$4,356,947)
Support Services	3,061,832	133,668	122,490	(2,805,674)
Food Service	363,366	172,963	163,109	(27,294)
Athletics	254,254	45,773	0	(208,481)
Interest on Long-Term Obligations	0	0	0	0
Depreciation - Unallocated	79,647	0	0	(79,647)
<u>TOTALS</u>	<u>\$8,978,459</u>	<u>\$352,404</u>	<u>\$1,148,012</u>	<u>(\$7,478,043)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				1,138,681
State Aid				6,237,994
Grants and Contributions Not Restricted to				
Specific Programs				18,903
Investment Earnings				7,177
Miscellaneous				46,436
Total General Revenues and Transfers				<u>\$7,449,191</u>
Change in Net Assets				(\$28,852)
Net Assets - Beginning - As Restated				<u>2,064,579</u>
<u>Net Assets - Ending</u>				<u>\$2,035,727</u>

See accompanying notes to the basic financial statements.

BENTLEY COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$1,091,897	\$195,725	\$1,287,622
Due from Other Funds	4,701	2,000	6,701
Due from Other Governmental Units	1,363,121	2,184	1,365,305
Inventory	0	3,174	3,174
<u>TOTAL ASSETS</u>	<u>\$2,459,719</u>	<u>\$203,083</u>	<u>\$2,662,802</u>
<u>LIABILITIES</u>			
Accounts Payable	\$155,551	\$5,358	\$160,909
State Aid Anticipation Note Payable	1,400,000	0	1,400,000
Due to Other Funds	7,982	4,701	12,683
Accrued Expenses	19,721	0	19,721
Salaries Payable	399,293	0	399,293
Total Liabilities	\$1,982,547	\$10,059	\$1,992,606
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	0	3,174	3,174
Capital Projects	0	188,779	188,779
Unreserved:			
Undesignated, Reported In:			
General Fund	477,172	0	477,172
School Service Funds	0	1,071	1,071
Total Fund Balances	<u>\$477,172</u>	<u>\$193,024</u>	<u>\$670,196</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$2,459,719</u>	<u>\$203,083</u>	<u>\$2,662,802</u>

See accompanying notes to the basic financial statements.

BENTLEY COMMUNITY SCHOOLS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total Governmental Fund Balances:			\$670,196
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$6,220,076 and the accumulated depreciation is \$4,864,082			1,535,994
Accrued Interest on Long-Term Debt			0
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
Bonds Payable	\$133,179		
Compensated Absences	37,284		
Total Long-Term Liabilities			<u>(170,463)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>			<u>\$2,035,727</u>

BENTLEY COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<u>REVENUES</u>			
Local Sources	\$963,834	\$481,581	\$1,445,415
State Sources	6,727,529	17,595	6,745,124
Federal Sources	393,724	145,514	539,238
Total Revenues	\$8,085,087	\$644,690	\$8,729,777
<u>EXPENDITURES</u>			
Current:			
Instruction	5,214,629	0	5,214,629
Student Services	365,235	0	365,235
Instructional Support	149,376	0	149,376
General Administration	435,714	0	435,714
School Administration	619,684	0	619,684
Business Administration	12,827	0	12,827
Operation & Maintenance of Plant	745,079	0	745,079
Transportation	415,175	0	415,175
Support Services - Other	95,800	0	95,800
Food Service	0	609,943	609,943
Capital Outlay	0	226,855	226,855
Total Expenditures	\$8,053,519	\$836,798	\$8,890,317
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	\$31,568	(\$192,108)	(\$160,540)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(256,960)	256,960	0
Other Transfers	36,201	0	36,201
Total Other Financing Sources (Uses)	(\$220,759)	\$256,960	\$36,201
Net Change in Fund Balance	(\$189,191)	\$64,852	(\$124,339)
<u>FUND BALANCE - BEGINNING</u>	666,363	128,172	794,535
<u>FUND BALANCE - ENDING</u>	\$477,172	\$193,024	\$670,196

See accompanying notes to the basic financial statements.

BENTLEY COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Total net change in fund balances - governmental funds	(\$124,339)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	52,617
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	52,405
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Change in accrued interest on long-term liabilities	0
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Increase in accrued compensated absences	<u>(9,535)</u>
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<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>(\$28,852)</u></u>
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BENTLEY COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

	Trust & Agency	Private Purpose Trusts		Total
		Non- Expendable	Expendable	
<u>ASSETS</u>				
Cash and Cash Equivalents	\$104,437	\$111,324	\$6,095	\$221,856
Due from Other Funds	7,982	0	0	7,982
<u>TOTAL ASSETS</u>	\$112,419	\$111,324	\$6,095	\$229,838
<u>LIABILITIES</u>				
Due to Student Groups	112,419	0	0	112,419
Due to Other Funds	0	0	2,000	2,000
Total Liabilities	\$112,419	\$0	\$2,000	\$114,419
<u>NET ASSETS - HELD IN TRUST FOR OTHERS</u>	<u>\$0</u>	<u>\$111,324</u>	<u>\$4,095</u>	<u>\$115,419</u>

See accompanying notes to the basic financial statements.

BENTLEY COMMUNITY SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Private Purpose Trusts</u>		
	<u>Non-</u>	<u>Expendable</u>	<u>Total</u>
<u>REVENUE</u>	<u>Expendable</u>	<u>Expendable</u>	
Interest	\$4,055	\$17	\$4,072
<u>EXPENDITURES</u>			
Scholarships	<u>3,500</u>	<u>0</u>	<u>3,500</u>
<u>CHANGE IN NET ASSETS</u>	\$555	\$17	\$572
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>110,769</u>	<u>4,078</u>	<u>114,847</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$111,324</u>	<u>\$4,095</u>	<u>\$115,419</u>

See accompanying notes to the basic financial statements.

BENTLEY COMMUNITY SCHOOLS
STATEMENT OF CASH FLOWS
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	\$4,055
Scholarships	<u>(3,500)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

\$555

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR

110,769

CASH AND CASH EQUIVALENTS - END OF YEAR

\$111,324

See accompanying notes to the basic financial statements.

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Bentley Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District. The Capital Projects Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

Expendable Trust Funds – The expendable trust funds consists of the following funds:

Chris Anderson Memorial Scholarship Fund – This fund is used to account for funds entrusted to the School District for scholarship awards.

Harry C. Hewig Fund – This fund is used to account for funds entrusted to the School District to provide short-term loans for professional staff development.

Nonexpendable Trust Fund – Sophia L. Waldbauer Scholarship Fund is a nonexpendable trust fund used to account for funds entrusted to the School District for scholarship awards.

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2004, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits - The Board of Education authorized the following financial institutions for the deposit of the District's funds for the year ended June 30, 2003: Citizens Bank and Bank One.

The District's deposits are in accordance with statutory authority.

At June 30, 2004, the carrying amount of the School District's deposits was \$1,504,119 and the bank balance was \$383,092. \$220,558 of the bank balance was covered by federal depository insurance and \$162,534 was uninsured and uncollateralized.

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

4) DEPOSITS AND INVESTMENTS (Continued)

Investments - The School District's investments are required to be categorized to give an indication of the level of risk assumed by the District at June 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent but not in the School District's name.

The District had no investments at June 30, 2004.

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2004, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 1,239,328
Federal Grants	55,742
Other Grant Programs & Fees	<u>70,235</u>
 <u>TOTAL GOVERNMENTAL ACTIVITIES</u>	 <u>\$ 1,365,305</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2004 the School District had estimated claims payable of \$3,206 in conjunction with the program.

8) SHORT-TERM DEBT

The District borrowed \$1,400,000 at 1.615% per annum on August 21, 2003, from Bank One on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note was repaid August 24, 2004.

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$3,879,056	\$59,549	\$0	\$3,938,605
Land Improvements	1,616,710	69,808	0	1,686,518
Equipment and Furniture	151,992	47,332	0	199,324
Vehicles	395,629	0	0	395,629
Totals at Historical Cost	\$6,043,387	\$176,689	\$0	\$6,220,076
Less: Accumulated Depreciation				
Buildings and Improvements	(2,568,466)	(78,005)	0	(2,646,471)
Land Improvements	(1,535,008)	(9,422)	0	(1,544,430)
Equipment and Furniture	(119,789)	(18,504)	0	(138,293)
Vehicles	(336,747)	(18,141)	0	(354,888)
Total Accumulated Depreciation	(\$4,560,010)	(\$124,072)	\$0	(\$4,684,082)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$1,483,377</u>	<u>\$52,617</u>	<u>\$0</u>	<u>\$1,535,994</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 4,731
Support Services	32,017
Athletics	7,677
Unallocated	79,647
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 124,072</u>

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2004 were \$28,708.

11) GENERAL LONG-TERM DEBT

A) Durant Resolution Package Bonds

Bentley Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$149,883 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2004 was \$133,179. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

11) GENERAL LONG-TERM DEBT (Continued)

B) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2004 are as follows:

	BONDS PAYABLE	INTEREST	TOTAL
June 30, 2005	\$0	\$0	\$0
June 30, 2006	10,090	4,548	14,638
June 30, 2007	10,568	4,068	14,636
June 30, 2008	48,722	20,358	69,080
June 30, 2009	11,602	3,038	14,640
June 30, 2010-2013	52,197	6,357	58,554
<u>TOTAL</u>	<u>\$133,179</u>	<u>\$38,369</u>	<u>\$171,548</u>

The payment dates of sick and longevity days payable is undeterminable. The interest expenditures on long-term obligations for the year ended June 30, 2004, was \$1,545.

C) Changes in General Long-Term Debt

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004	AMOUNT DUE IN ONE YEAR
<u>Governmental Activities:</u>					
Durant Bonds	\$133,179	\$0	\$0	\$133,179	\$0
Notes Payable	52,405	0	52,405	0	0
Compensated Absences	27,749	9,535	0	37,284	0
<u>Total Governmental Activities</u>	<u>\$213,333</u>	<u>\$9,535</u>	<u>\$52,405</u>	<u>\$170,463</u>	<u>\$0</u>

12) OPERATING LEASES

The District currently leases buses, driver's education car and copier machines. The minimum monthly payments and maturity dates are as follows:

	<u>MONTHLY PAYMENT</u>	<u>MATURITY DATE</u>
Bluebird Lease – Buses	\$ 3,991	October 1, 2006
Xerox Lease – Copiers	2,428	April 11, 2007

The future minimum payments are as follows:

2005	\$ 77,028
2006	69,046
2007	9,712
<u>TOTAL</u>	<u>\$ 155,786</u>

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

13) RESTATEMENT OF GOVERNMENT-WIDE NET ASSETS

For the fiscal year ended June 30, 2004, the School District implemented GASB Statement 34. As a result, capital assets and accumulated depreciation were recorded for the first time. Net assets were restated as of July 1, 2003 for the recording of accumulated depreciation. See July 1, 2003 balances illustrated in Note 9.

14) INTERFUND ACTIVITY

Interfund balances at June 30, 2004 consisted of the following:

DUE TO	DUE FROM			
	General Fund	Sinking Capital Projects	Trust & Agency Funds	TOTAL
General Fund	\$0	\$0	\$7,982	\$7,982
Sinking Capital Projects Fund	4,701	0	0	4,701
Trust and Agency Funds	0	2,000	0	2,000
TOTAL	\$4,701	\$2,000	\$7,982	\$14,683

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

15) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2004, consisted of the following:

TRANSFERS TO	TRANSFERS FROM	
	GENERAL FUND	
Special Revenue Fund	\$256,960	

These transfers were made to subsidize the cost of services for food service and athletics.

16) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPSERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPSERS. That report may be obtained by writing to the MPSERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

16) DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2003 through September 30, 2003 and 12.99 percent for the period October 1, 2003 through June 30, 2004 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2004, 2003, and 2002 were \$659,016, \$687,008 and \$620,101, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

17) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

18) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which are Title I the Special Education grants. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2004, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

19) SUBSEQUENT EVENTS

The District has approved borrowing \$1,450,000 from Bank One to meet cash flow needs for the 2004-2005 fiscal year. The Bonds will be issued August 27, 2004 at a interest rate of 1.84%.

The District authorized bonds at an election on June 14, 2004, for the purpose of remodeling, furnishing and equipping school buildings; acquiring, installing and equipping technology for school buildings; developing and improving sites; and erecting a multi-purpose room addition to Barhitte Elementary School. The bonds were issued on August 10, 2004 in the amount of \$4,600,000.

REQUIRED
SUPPLEMENTARY
INFORMATION

BENTLEY COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>				
Local Sources	\$1,168,202	\$1,077,079	\$963,834	(\$113,245)
State Sources	7,111,029	6,702,492	6,727,529	25,037
Federal Sources	366,509	380,958	393,724	12,766
Total Revenues	<u>\$8,645,740</u>	<u>\$8,160,529</u>	<u>\$8,085,087</u>	<u>(\$75,442)</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	5,490,603	5,229,658	5,214,629	15,029
Student Services	334,438	365,301	365,235	66
Instructional Support	136,012	148,376	149,376	(1,000)
General Administration	440,589	433,843	435,714	(1,871)
School Administration	565,640	625,999	619,684	6,315
Business Administration	0	0	12,827	(12,827)
Operation & Maintenance of Plant	892,983	739,530	745,079	(5,549)
Transportation	425,704	413,330	415,175	(1,845)
Support Services - Other	143,921	81,170	95,800	(14,630)
Total Expenditures	<u>\$8,429,890</u>	<u>\$8,037,207</u>	<u>\$8,053,519</u>	<u>(\$16,312)</u>
Excess of Revenues Over Expenditures	<u>\$215,850</u>	<u>\$123,322</u>	<u>\$31,568</u>	<u>(\$91,754)</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(205,064)</u>	<u>(291,892)</u>	<u>(220,759)</u>	<u>71,133</u>
Net Change in Fund Balance	<u>\$10,786</u>	<u>(\$168,570)</u>	<u>(\$189,191)</u>	<u>(\$20,621)</u>
<u>FUND BALANCE - BEGINNING</u>			<u>666,363</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$477,172</u>	

OTHER SUPPLEMENTAL
INFORMATION

BENTLEY COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2004

	Special Revenue Fund	2000 Sinking Capital Projects Fund	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$4,245	\$191,480	\$195,725
Due from Other Funds	0	2,000	2,000
Due From Other Governmental Units	2,184	0	2,184
Inventory	3,174	0	3,174
<u>TOTAL ASSETS</u>	<u>\$9,603</u>	<u>\$193,480</u>	<u>\$203,083</u>
<u>LIABILITIES</u>			
Accounts Payable	\$5,358	\$0	\$5,358
Due to Other Funds	0	4,701	4,701
Total Liabilities	\$5,358	\$4,701	\$10,059
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	3,174	0	3,174
Capital Projects	0	188,779	188,779
Unreserved:			
Undesignated, Reported In:			
Special Revenue Fund	1,071	0	1,071
Total Fund Balances	<u>\$4,245</u>	<u>\$188,779</u>	<u>\$193,024</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$9,603</u>	<u>\$193,480</u>	<u>\$203,083</u>

BENTLEY COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue Fund	2000 Sinking Capital Projects Fund	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources	\$218,936	\$262,645	\$481,581
State Sources	17,595	0	17,595
Federal Sources	145,514	0	145,514
Total Revenues	<u>\$382,045</u>	<u>\$262,645</u>	<u>\$644,690</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>256,960</u>	<u>0</u>	<u>256,960</u>
Total Revenues & Other Financing Sources	\$639,005	\$262,645	\$901,650
<u>EXPENDITURES</u>			
Special Revenue	609,943	0	609,943
Capital Projects			
Capital Outlay	0	226,855	226,855
Total Expenditures	<u>\$609,943</u>	<u>\$226,855</u>	<u>\$836,798</u>
Net Change in Fund Balance	\$29,062	\$35,790	\$64,852
<u>NET ASSETS - BEGINNING</u>	<u>(24,817)</u>	<u>152,989</u>	<u>128,172</u>
<u>NET ASSETS - ENDING</u>	<u>\$4,245</u>	<u>\$188,779</u>	<u>\$193,024</u>

BENTLEY COMMUNITY SCHOOLS
SPECIAL REVENUE FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2004

	Food Service	Athletic Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$0	\$4,245	\$4,245
Due From Other Governmental Units	2,184	0	2,184
Inventory	3,174	0	3,174
<u>TOTAL ASSETS</u>	<u>\$5,358</u>	<u>\$4,245</u>	<u>\$9,603</u>
<u>LIABILITIES</u>			
Accounts Payable	\$5,358	\$0	\$5,358
Due from Other Funds	0	0	0
Total Liabilities	\$5,358	\$0	\$5,358
<u>FUND EQUITY</u>			
Reserved for Inventory	3,174	0	3,174
Unreserved and Undesignated	(3,174)	4,245	1,071
Total Fund Equity	\$0	\$4,245	\$4,245
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$5,358</u>	<u>\$4,245</u>	<u>\$9,603</u>

BENTLEY COMMUNITY SCHOOLS
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Food Service</u>	<u>Athletic Activities</u>	<u>Total</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$172,963	\$0	\$172,963
Athletic Activities	0	45,773	45,773
Interest	0	49	49
Other Local Sources	151	0	151
Total Local Sources	<u>\$173,114</u>	<u>\$45,822</u>	<u>\$218,936</u>
<u>State Sources</u>			
State Reimbursements	17,595	0	17,595
<u>Federal Sources</u>			
Federal Reimbursements	125,864	0	125,864
Commodities	19,650	0	19,650
Total Federal Sources	<u>\$145,514</u>	<u>\$0</u>	<u>\$145,514</u>
Total Revenues	<u>\$336,223</u>	<u>\$45,822</u>	<u>\$382,045</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	15,388	241,572	256,960
Total Revenues and Other Financing Sources	<u>\$351,611</u>	<u>\$287,394</u>	<u>\$639,005</u>
<u>EXPENDITURES</u>			
Salaries - Professional	0	51,313	51,313
Salaries - Non-Professional	99,482	101,167	200,649
Insurances	38,417	14,480	52,897
Fica, Retirement, Etc.	20,988	30,649	51,637
Purchased Services	7,574	27,521	35,095
Supplies and Materials	188,869	2,533	191,402
Capital Outlay	1,118	14,848	15,966
Other	6,918	4,066	10,984
Total Expenditures	<u>\$363,366</u>	<u>\$246,577</u>	<u>\$609,943</u>
<u>EXCESS REVENUES AND OTHER FINANCING</u> <u>SOURCES OVER (UNDER) EXPENDITURES</u>	<u>(\$11,755)</u>	<u>\$40,817</u>	<u>\$29,062</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$11,755</u>	<u>(\$36,572)</u>	<u>(\$24,817)</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$0</u>	<u>\$4,245</u>	<u>\$4,245</u>

BENTLEY COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

		EXPENDABLE TRUST			
	Nonexpendable Trust - Sophia L. Waldbauer Scholarship Fund	Chris Anderson Memorial Scholarship Fund	Harry C. Hewig Fund	Agency - Student Activities Fund	TOTAL
ASSETS					
Cash and Cash Equivalents	\$111,324	\$914	\$5,181	\$104,437	\$221,856
Due from Other Funds	0	0	0	7,982	7,982
<u>TOTAL ASSETS</u>	<u>\$111,324</u>	<u>\$914</u>	<u>\$5,181</u>	<u>\$112,419</u>	<u>\$229,838</u>
LIABILITIES					
Due to Student Groups	\$0	\$0	\$0	\$112,419	\$112,419
Due to Other Funds	0	0	2,000	0	2,000
Total Liabilities	\$0	\$0	\$2,000	\$112,419	\$114,419
FUND EQUITY					
Reserved for Scholarships	99,228	0	0	0	99,228
Unreserved					
Designated for Staff Education	0	0	3,181	0	3,181
Designated for Scholarships	12,096	914	0	0	13,010
Total Fund Equity	<u>\$111,324</u>	<u>\$914</u>	<u>\$3,181</u>	<u>\$0</u>	<u>\$115,419</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$111,324</u>	<u>\$914</u>	<u>\$5,181</u>	<u>\$112,419</u>	<u>\$229,838</u>

BENTLEY COMMUNITY SCHOOLS
PRIVATE PURPOSE TRUSTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

		<u>EXPENDABLE TRUST</u>		
		Chris Anderson Memorial Scholarship Fund	Harry C. Hewig Fund	TOTAL
<u>REVENUE</u>	<u>Nonexpendable Trust - Sophia L. Waldbauer Scholarship Fund</u>			
Local Sources				
Interest on Investments	\$4,055	\$3	\$14	\$4,072
<u>EXPENDITURES</u>				
Scholarships	3,500	0	0	3,500
<u>EXCESS REVENUES OVER EXPENDITURES</u>	\$555	\$3	\$14	\$572
<u>FUND BALANCE - BEGINNING OF YEAR</u>	110,769	911	3,167	114,847
<u>FUND BALANCE - END OF YEAR</u>	\$111,324	\$914	\$3,181	\$115,419

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

BENTLEY COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2004

REVENUESLocal Sources:

Property Tax Levy	\$876,265
Summer School	60
Tuition	2
Medicaid	11,234
Earnings on Investments	6,899
Other Local Grants	18,903
Bridges to the Future	33,166
Other Local Revenue	17,305
Total Local Sources	<u>\$963,834</u>

State Sources:

State Aid	6,237,994
At Risk	143,919
Special Education	225,346
Career Tech Grant	27,320
Gifted and Talented	238
Drivers Education	15,766
MI School Readiness	56,100
Durant	20,846
Total State Sources	<u>\$6,727,529</u>

Federal Sources:

I.D.E.A.	194,379
Class Size Reduction	55,821
Medicaid	12,767
Title I	126,804
Title V	3,953
Total Federal Sources	<u>\$393,724</u>
Total Revenues	<u>\$8,085,087</u>

OTHER FINANCING SOURCES

County Special Education Tax	57,244
Other Transfers	28,980
Transfers from Other Governmental Units	133,606
Total Other Financing Sources	<u>\$219,830</u>

TOTAL REVENUES AND OTHER
FINANCING SOURCES

\$8,304,917

BENTLEY COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

INSTRUCTIONBASIC PROGRAMSElementary

Salaries - Professional	\$906,515
Salaries - Non-Professional	56,566
Insurances	234,529
Fica, Retirement, Etc.	204,585
Purchased Services	25,521
Supplies & Materials	61,800
Capital Outlay	12,218
Total Elementary	<u>\$1,501,734</u>

Junior High School

Salaries - Professional	888,799
Salaries - Non-Professional	37,115
Insurances	203,116
Fica, Retirement, Etc.	189,494
Purchased Services	12,716
Supplies & Materials	16,873
Capital Outlay	13,323
Total Junior High School	<u>\$1,361,436</u>

High School

Salaries - Professional	846,085
Salaries - Non-Professional	49,273
Insurances	174,670
Fica, Retirement, Etc.	180,347
Purchased Services	59,754
Supplies & Materials	38,560
Capital Outlay	7,840
Other	4,848
Total High School	<u>\$1,361,377</u>

Preschool

Salaries - Professional	24,474
Salaries - Non-Professional	6,116
Fica, Retirement, Etc.	7,118
Purchased Services	879
Supplies & Materials	1,801
Capital Outlay	396
Total Preschool	<u>\$40,784</u>

Total Basic Programs

\$4,265,331

BENTLEY COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

INSTRUCTION (Continued)

ADDED NEEDS

Special Education

Salaries - Professional	\$407,104
Salaries - Non-Professional	76,827
Insurances	67,611
Fica, Retirement, Etc.	100,574
Purchased Services	17,389
Supplies & Materials	10,043
Total Special Education	<u>\$679,548</u>

Compensatory Education

Salaries - Professional	173,958
Salaries - Non-Professional	56,370
Fica, Retirement, Etc.	36,516
Purchased Services	685
Supplies & Materials	2,081
Capital Outlay	140
Total Compensatory Education	<u>\$269,750</u>

<u>Total Added Needs</u>	<u>\$949,298</u>
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Total Instruction	\$5,214,629
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SUPPORT SERVICES

Student Services

Salaries - Professional	176,450
Salaries - Non-Professional	96,073
Insurances	35,602
Fica, Retirement, Etc.	55,608
Supplies & Materials	1,117
Capital Outlay	385
Total Student Services	<u>\$365,235</u>

Instructional Staff

Salaries - Professional	42,834
Salaries - Non-Professional	48,392
Insurances	12,206
Fica, Retirement, Etc.	11,973
Purchased Services	7,485
Supplies & Materials	18,714
Capital Outlay	7,772
Total Instructional Staff	<u>\$149,376</u>

BENTLEY COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

SUPPORT SERVICES (Continued)General Administration

Salaries - Professional	\$157,015
Salaries - Non-Professional	89,623
Insurances	39,756
Fica, Retirement, Etc.	49,447
Purchased Services	82,746
Supplies & Materials	9,211
Capital Outlay	2,231
Other	5,685
Total General Administration	<u>\$435,714</u>

School Administration

Salaries - Professional	258,040
Salaries - Non-Professional	147,394
Insurances	98,979
Fica, Retirement, Etc.	88,465
Other Benefits	3,000
Purchased Services	9,100
Supplies & Materials	14,706
Total School Administration	<u>\$619,684</u>

Business Administration

Fica, Retirement, Etc.	12,827
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Operation & Maintenance of Plant

Salaries - Non-Professional	231,741
Insurances	46,444
Fica, Retirement, Etc.	60,692
Purchased Services	374,723
Supplies & Materials	30,384
Capital Outlay	1,095
Total Operation & Maintenance	<u>\$745,079</u>

Transportation Services

Salaries - Professional	18,345
Salaries - Non-Professional	149,233
Insurances	79,804
Fica, Retirement, Etc.	47,919
Purchased Services	18,262
Supplies & Materials	32,103
Capital Outlay	47,890
Other	21,619
Total Transportation Services	<u>\$415,175</u>

BENTLEY COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

SUPPORT SERVICES (Continued)

Other Support Services

Salaries - Non-Professional	\$35,946
Insurances	1,495
Fica, Retirement, Etc.	7,320
Purchased Services	7,558
Supplies & Materials	16,719
Capital Outlay	14,446
Other	12,316
Total Other Support Services	<u>\$95,800</u>

Total Support Services	<u>\$2,838,890</u>
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<u>Total Expenditures</u>	\$8,053,519
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OTHER FINANCING USES

Transfers to Other Funds	256,960
Retirement Incentive	49,800
Transfer to Other Governmental Units	60,729
Payments and Interest on Debt	73,100
Total Other Financing Uses	<u>\$440,589</u>

TOTAL EXPENDITURES AND
OTHER FINANCING USES

\$8,494,108

BENTLEY COMMUNITY SCHOOLS
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2004

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2003	RECEIPTS	DISBURSEMENTS	JUNE 30, 2004
Adopt-A-Wall	\$165	\$0	\$144	\$21
Art Fees - Sr. High	344	32,955	35,130	(1,831)
Art Grant	456	0	456	0
Athletic Office	5,161	1,903	3,376	3,688
Athletic Resale	1,181	0	0	1,181
Athletic Scholarship	167	0	0	167
Band Account	817	8,866	7,968	1,715
Band Resale	185	0	185	0
Barhitte Activities	17,925	25,434	35,096	8,263
Barhitte Library	543	91	128	506
Barhitte Office	14,133	23,532	25,266	12,399
Barhitte Scholarship	1,693	1,000	865	1,828
Barhitte Trip	1,009	13,454	12,826	1,637
Barhitte Turkey Fund	0	66	0	66
Baseball - Sr High	(2,967)	4,220	391	862
Basketball - Boys Varsity	(1,160)	4,408	3,370	(122)
Basketball - Girls	3,402	22,435	16,481	9,356
Basketball - Girls - 7th & 8th	821	0	0	821
Beautification - Jr. High	91	0	91	0
Booster Fund Raiser	0	15,509	11,163	4,346
Cheerleaders - Jr High	48	0	0	48
Cheerleaders - JV	170	0	0	170
Cheerleaders - Varsity	(880)	880	0	0
Class of 1996	802	0	0	802
Class of 2001	1,642	0	0	1,642
Class of 2002	664	0	0	664
Class of 2003	(410)	0	0	(410)
Class of 2004	(1,276)	4,295	3,163	(144)
Class of 2005	1,376	13,286	14,473	189
Class of 2006	842	4,519	3,967	1,394
Class of 2007	0	909	1,061	(152)
Community Ed - II	497	0	497	0
Community Education	(35)	35	0	0
Drama - Sr High	0	10,810	4,590	6,220
Eisenhower Fund	(320)	320	0	0
Environmental Club	686	26	247	465
Faculty - Jr. High	6,482	2,431	2,178	6,735
Field Trip - Jr. High	1,098	360	512	946
French Club	492	0	0	492
<u>Subtotal</u>	<u>\$55,844</u>	<u>\$191,744</u>	<u>\$183,624</u>	<u>\$63,964</u>

BENTLEY COMMUNITY SCHOOLS
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2004

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2003	RECEIPTS	DISBURSEMENTS	JUNE 30, 2004
Gifted & Talented	(\$1,093)	\$16,059	\$12,077	\$2,889
Golf Account	0	1,130	540	590
Guidance - Sr. High	136	121	161	96
Honor Society - Sr. High	1,006	1,571	1,793	784
Honors Club - Jr. High	3,409	5,637	5,420	3,626
Library - Jr. High	\$460	\$4,041	\$3,974	\$527
Library - Sr. High	929	340	614	655
Office Acct - Sr. High	7,841	13,870	11,207	10,504
Pickler Scholarship	450	50	500	0
PRIDE Account	975	388	419	944
Project GROW	183	0	35	148
Sadd Club - Sr. High	209	201	75	335
SAP	78	0	78	0
School Store - Jr. High	2,033	28	110	1,951
School Supplies - Jr. High	437	385	272	550
Science Club - Sr. High	3,288	3,320	4,077	2,531
Sloan Grant	604	0	0	604
Softball Account	(268)	1,503	1,442	(207)
Special Olympics	1,205	19	729	495
Sports - Sr. High	(1,538)	1,538	0	0
Stand - Jr. High	201	0	201	0
Store - Sr. High	258	0	258	0
Student Council - Sr. High	1,161	3,191	3,639	713
T & A Interest	11,486	6,999	18,185	300
T/A Account - Jr. High	7,498	11,279	7,701	11,076
Telephone Reimbursement	(100)	100	0	0
Track Club - Sr. High	(809)	4,156	2,999	348
Varsity Club	136	0	136	0
Volleyball - Jr. High	381	0	55	326
Volleyball Account	0	596	236	360
Woodshop - Sr. High	145	0	145	0
Wrestling - Jr. High	182	0	0	182
Yearbook - Sr. High	(4,955)	19,970	14,869	146
TOTALS	\$91,772	\$288,236	\$275,571	\$104,437

BENTLEY COMMUNITY SCHOOLS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2004

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$208,460

1998 DURANT RESOLUTION PACKAGE BONDS

	PRINCIPAL REQUIREMENT	INTEREST RATE	INTEREST REQUIREMENT	TOTAL FISCAL YEAR REQUIREMENTS
<u>PAYMENT DATE - MAY 15TH</u>				
2005	\$0	4.761353%	\$0	\$0
2006	10,090	4.761353%	4,548	14,638
2007	10,568	4.761353%	4,068	14,636
2008	48,722	4.761353%	20,358	69,080
2009	11,602	4.761353%	3,038	14,640
2010	12,153	4.761353%	2,485	14,638
2011	12,732	4.761353%	1,907	14,639
2012	13,338	4.761353%	1,300	14,638
2013	13,974	4.761353%	665	14,639
<u>TOTAL</u>	<u>\$133,179</u>		<u>\$38,369</u>	<u>\$171,548</u>

BENTLEY COMMUNITY SCHOOLS

BURTON, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2004

CONTENTS

	<u>PAGE</u>
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	2 – 3
Schedule of Expenditures of Federal Awards for the year ended June 30, 2004	4 – 5
Notes/Reconciliation to the Schedule of Expenditures of Federal Awards for the year ended June 30, 2004	6
Reconciliation of Form R7120 "Grant Section Auditor's Report" to the Schedule of Expenditures of Federal Awards for the year ended June 30, 2004	7
Schedule of Findings and Questioned Costs for the year ended June 30, 2004	8 – 9
Status of Prior Year Findings	9



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

October 19, 2004

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of
Bentley Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bentley Community Schools, as of and for the year ended June 30, 2004, which collectively comprise the Bentley Community Schools' basic financial statements and have issued our report thereon dated October 19, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bentley Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Bentley Community Schools, in a separate letter dated October 19, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bentley Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Bentley Community Schools, in a separate letter dated October 19, 2004.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf PC
LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

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October 19, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Bentley Community Schools

Compliance

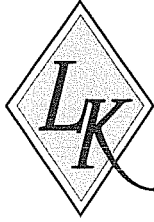
We have audited the compliance of Bentley Community Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Bentley Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Bentley Community Schools' management. Our responsibility is to express an opinion on Bentley Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bentley Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bentley Community Schools' compliance with those requirements.

In our opinion, Bentley Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2004-1.

Internal Control Over Compliance

The management of Bentley Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Bentley Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



Bentley Community Schools
Page 2
October 19, 2004

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf PC
LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BENTLEY COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Title I Grants to Local Education Agencies	84.010		
Title I (02-03)		31530-0203	\$174,547
Title I (03-04)		41530-0304	126,804
Total Title I Grants to Local Education Agencies			<u>\$301,351</u>
Innovative Education Program Strategies	84.298		
IASA Title V - Improving America's Schools Act (02-03)		30250-0203	900
IASA Title V - Improving America's Schools Act (03-04)		40250-0304	884
Total Innovative Education Program Strategies			<u>\$1,784</u>
Technology Literacy Grant	84.318		
Technology Literacy Grant (02-03)		34290-023	5,036
Technology Literacy Grant (02-03)		44290-0304	3,069
Total Technology Literacy Grant			<u>\$8,105</u>
Class Size Reduction Program	84.367		
Class Size Reduction Program (02-03)		30520-0203	58,106
Class Size Reduction Program (03-04)		40520-0304	55,821
Total Class Size Reduction Program			<u>\$113,927</u>
Total Passed Through Michigan Department of Education			<u>\$425,167</u>
Passed Through Genesee Intermediate School District:			
Special Education - Grants to States	84.027		
IDEA Flowthrough (02-03)		30450-0203	165,920
IDEA Flowthrough (03-04)		40450-0304	194,379
Total Special Education - Grants to States			<u>\$360,299</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			<u>\$785,466</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2003	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2004
\$174,547	\$174,547	\$0	\$0	\$174,547	\$0
0	0	126,804	0	126,804	0
<u>\$174,547</u>	<u>\$174,547</u>	<u>\$126,804</u>	<u>\$0</u>	<u>\$301,351</u>	<u>\$0</u>
900	900	0	0	900	0
0	0	884	0	884	0
<u>\$900</u>	<u>\$900</u>	<u>\$884</u>	<u>\$0</u>	<u>\$1,784</u>	<u>\$0</u>
5,036	5,036	0	0	5,036	0
0	0	3,069	0	3,069	0
<u>\$5,036</u>	<u>\$5,036</u>	<u>\$3,069</u>	<u>\$0</u>	<u>\$8,105</u>	<u>\$0</u>
58,106	58,106	0	0	58,106	0
0	0	55,821	0	55,821	0
<u>\$58,106</u>	<u>\$58,106</u>	<u>\$55,821</u>	<u>\$0</u>	<u>\$113,927</u>	<u>\$0</u>
<u>\$238,589</u>	<u>\$238,589</u>	<u>\$186,578</u>	<u>\$0</u>	<u>\$425,167</u>	<u>\$0</u>
165,920	165,920	0	0	165,920	0
0	0	194,379	0	138,637	55,742
<u>\$165,920</u>	<u>\$165,920</u>	<u>\$194,379</u>	<u>\$0</u>	<u>\$304,557</u>	<u>\$55,742</u>
\$404,509	\$404,509	\$380,957	\$0	\$729,724	\$55,742

BENTLEY COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
Food Distribution Program:	10.550		
Entitlement Commodities		N/A	16,331
Bonus Commodities		N/A	3,319
Total Food Distribution Program			<u>\$19,650</u>
National School Breakfast Program	10.553	N/A	32,672
National School Lunch Program	10.555	N/A	92,639
Special Milk Program	10.556	N/A	<u>553</u>
Total Child Nutrition Cluster			<u>\$125,864</u>
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			<u>\$145,514</u>
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>			
Passed Through Genesee Intermediate School District:			
Medical Assistance Program Title XIX	93.778	N/A	<u>12,767</u>
<u>TOTAL FEDERAL AWARDS</u>			<u><u>\$943,747</u></u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2003	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2004
0	0	16,331	0	16,331	0
0	0	3,319	0	3,319	0
<u>\$0</u>	<u>\$0</u>	<u>\$19,650</u>	<u>\$0</u>	<u>\$19,650</u>	<u>\$0</u>
0	0	32,672	0	32,672	0
0	0	92,639	0	92,639	0
0	0	553	0	553	0
<u>\$0</u>	<u>\$0</u>	<u>\$125,864</u>	<u>\$0</u>	<u>\$125,864</u>	<u>\$0</u>
\$0	\$0	\$145,514	\$0	\$145,514	\$0
0	0	12,767	0	12,767	0
<u>\$404,509</u>	<u>\$404,509</u>	<u>\$539,238</u>	<u>\$0</u>	<u>\$888,005</u>	<u>\$55,742</u>

BENTLEY COMMUNITY SCHOOL DISTRICT - BURTON, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS

\$539,238

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS

General Fund

\$393,724

School Service Fund

145,514

TOTAL

\$539,238

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 7 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.

BENTLEY COMMUNITY SCHOOL DISTRICT - BURTON, MICHIGAN
RECONCILIATION OF FORM R 7120 "GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Current Payments Per the Grant Section Auditor's Report (Form R 7120)			\$560,566
<u>Less:</u> State Funded Grants			
Driver Education		(\$3,616)	
State Breakfast Program		(5,919)	
Total State Funded Grants			(9,535)
<u>Add:</u> Grants Passed Through Genesee Intermediate School District:			
Special Education - Grants to States (CFDA 84.027)		\$304,557	
Medical Assistance Program Title XIX (CFDA 93.778)		12,767	
Total Grants Passed Through Genesee Intermediate School District:			317,324
Entitlement and Bonus Commodities (CFDA 10.550)			19,650
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF</u> <u>EXPENDITURES OF FEDERAL AWARDS</u>			<u>\$888,005</u>

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☒ Yes ☐ No

Identification of major programs:

CFDA Number(s)
84.010
84.027

Name of Federal Program or Cluster
Title I Grants to Local Educational Agencies
Special Education

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Qualified as low-risk auditee?

☐ Yes ☒ No

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

2004-1) Title I (CFDA #84.010) and Special Education (CFDA #84.027)

<u>Specific Requirement:</u>	Allowable Cost/Cost Principles.
<u>Condition:</u>	The District did not complete the time certifications required for employees working solely on a single Federal award or cost objective.
<u>Criteria:</u>	The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".
<u>Effect of Condition:</u>	Salaries and wages charged to the program could be disallowed.
<u>Cause of Condition:</u>	The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification.
<u>Recommendation:</u>	The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Management Response:</u>	The District will develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Questioned Cost:</u>	None.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings.



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

October 19, 2004

To the Board of Education of
Bentley Community Schools

In planning and performing our audit of the financial statements of Bentley Community Schools for the year ended June 30, 2004 we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Bentley Community Schools' ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

The following items that are an immaterial internal control or administrative consideration came to our attention.

CURRENT YEAR FINDINGS

1. Budgets and Budgetary Accounting

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2004, Bentley Community Schools incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

2. Trust and Agency Accounts

At June 30, 2004, several of the Activity Accounts had deficit balances. Activity accounts are only permitted to expend the funds they have taken in. They are not allowed to borrow from other activities thus creating a deficit balance.

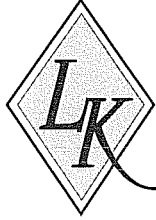
3. Segregation of Duties

A small number of persons have the primary responsibility for performing most of the accounting and financial duties. As a result, some of the aspects of internal accounting control which rely upon adequate segregation of duties are missing in your District. We recognize that your District is not large enough to make employment of additional personnel solely for the purpose of segregating incompatible duties practical from a financial standpoint. The supervision and periodic review procedures currently in place help mitigate the lack of proper segregation of duties and should be continued. The following suggestions are procedures which could be performed by District administrators to further compensate for known weaknesses attributable to inadequate segregation of duties:

- * Receive all bank statements unopened and review their contents
- * Have bank statements reconciled immediately
- * Review monthly financial statements and question variances

4. Timely Bank Reconciliations

Proper bank reconciliations are a key to maintaining adequate control over both cash receipts and disbursements. If bank reconciliations are to serve as an effective control over the cash accounts, they must be prepared on a timely basis and all reconciling items should be investigated and disposed of properly.



Bentley Community Schools
Page 2
October 19, 2004

5. Payment Approval

In the course of our review of the cash disbursement system of the District we tested the control procedures. In a number of the cash disbursements we did not find a signed check request or payment approval.

6. Time Certifications

The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".

The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.

FUTURE ISSUES

1. Chart of Accounts

As you may be aware of, the Center for Educational Performance and Information (CEPI) has implemented a new upload application/database for financial reporting for districts. This new application/database is called the Financial Information Database (FID). For the fiscal year 2003 – 2004 you will be required to submit your financial data via the FID. The EDN/Form B submission process has been eliminated and is no longer available. The due date for the 2003 – 2004 FID submission is November 15, 2004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

Lewis & Knopf P.C.
LEWIS & KNOPF, P.C.
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